

1 Issue III.1 ***Tandem Transit Service*** Does Verizon have an obligation to provide transit
2 service to AT&T for the exchange of local traffic with other carriers, regardless of the
3 level of traffic exchanged between AT&T and the other carriers?

4 **Q. VERIZON CLAIMS (ON PAGE 35) THAT SINCE THE ACT REQUIRES**
5 **EACH CARRIER TO INTERCONNECT WITH ONE ANOTHER,**
6 **VERIZON DOES NOT HAVE AN OBLIGATION TO PROVIDE TRANSIT**
7 **SERVICE. IS VERIZON CORRECT?**

8 A. No. The Act sets forth different interconnection obligations and rights for
9 incumbents and CLECs. ILECs must allow interconnection by CLECs at any
10 technically feasible point, which includes the tandem. Non-incumbent carriers,
11 on the other hand, have the right to interconnect directly or *indirectly* with one
12 another. See §251 (a)(1). Indirect interconnection, as the FCC noted in its *Local*
13 *Competition Order*, is interconnection with *other carriers* via the incumbent's
14 network.¹³ Thus, Verizon's assertion that it has no obligation to provide transit
15 traffic amounts to a rejection of its obligation to provide indirect interconnection
16 for non-incumbent LECs.

17 **Q. COULD YOU COMMENT ON VERIZON'S ASSERTION ON PAGE 35**
18 **THAT IF IT DOES NOT IMPOSE A TRAFFIC THRESHOLD ON**
19 **TRANSIT TRAFFIC, THE PETITIONERS WOULD HAVE NO**
20 **INCENTIVE TO INTERCONNECT DIRECTLY WITH OTHER**
21 **CARRIERS.**

22 A. Yes. Inherent in that statement is an acknowledgment by Verizon that, as we
23 have testified in our Direct Testimony, direct interconnection often is not efficient
24 or economic for carriers. Thus, Verizon's imposition of this direct connection
25 requirement on CLECs is not only contrary to its own interconnection obligations,
26 but, by its own admission, is often inefficient for other carriers. As we stated in

1 our initial testimony, AT&T's traffic engineers evaluate various trunk routes
2 using economic CCS¹⁴ thresholds in order to determine when and where AT&T
3 can realize cost savings by establishing direct trunking. Verizon's proposed
4 arbitrary threshold prevents AT&T from determining the most efficient method
5 for interconnection.

6 Furthermore, there is no parallel between Verizon's and a CLEC's costs to
7 establish direct end office trunking. Verizon has a pre-existing network
8 connecting each of its serving wire centers within a LATA, which provides
9 Verizon a substantially lower traffic volume threshold at which direct trunking
10 becomes economical. CLECs have a considerably more complicated decision to
11 determine when it is efficient to directly trunk to a certain LEC end office.
12 Factors that AT&T considers include: costs to build out the AT&T network to
13 that location; costs to collocate; costs to lease facilities from the ILEC or another
14 carrier; revenue projections and forecasts of AT&T services which may be
15 provided through that location, both UNE and facility based; traffic trunk
16 forecasts; and constraints on capital which may be required for other projects.
17 Obviously it is unreasonable to hold AT&T to the same direct trunking traffic
18 thresholds that Verizon sets for itself, because the two parties have vastly
19 different situations.

¹³ *Local Competition Order* at ¶997. (*Emphasis added*).

¹⁴ CCS is an acronym meaning Centi Call Seconds (One hundred call seconds or one hundred seconds of telephone conversation).

1 **Q. VERIZON CLAIMS ON PAGE 36 THAT THE DS-1 THRESHOLD IS**
2 **SUFFICIENT TO JUSTIFY CONSTRUCTION OF DIRECT**
3 **INTERCONNECTION. DO YOU AGREE?**

4 A. No. Verizon provides no cost justification or any other evidentiary support for
5 this assertion. As we pointed out in our Direct Testimony at page 51, in a
6 discovery response Verizon basically admitted it had no cost analysis to support
7 the thresholds, or any written practices on this matter.

8 Moreover, Verizon has provided no additional information in its Direct
9 Testimony on this issue, other than to state on page 37 that the DS-1 threshold
10 was established 20 years ago as an engineering guideline and is still used by
11 Verizon today. Thus, Verizon has provided no evidence that this threshold is
12 appropriate or “sufficient” to use for CLEC traffic. This is particularly true
13 because the CLECs’ networks have nowhere near the ubiquitous reach of
14 Verizon’s network. Thus, any assertion that the threshold should be economical
15 for CLECs because it is economical for Verizon is simply wrong.

16 **Q. DOES VERIZON HAVE ANY CONTROL OVER ROUTING OF**
17 **INTERCONNECTION TRAFFIC?**

18 A. Indeed it does. Since Verizon and AT&T have agreed to use a one-way
19 interconnection trunking arrangement, each party has control over the trunks used
20 to deliver its traffic to the other party. If Verizon believes it has a sufficient
21 volume of traffic, Verizon is free to send trunk orders to AT&T to route its
22 originating traffic directly from a given Verizon end office to the AT&T switch,
23 thereby reducing its tandem congestion. Verizon may take that action regardless
24 of whether AT&T decides to establish direct end office trunks to that Verizon

1 end office for its traffic. Since more traffic currently originates on Verizon's
2 network than on AT&T's, Verizon has control over whether the majority of traffic
3 exchanged between the parties is tandem routed or end office routed. Verizon
4 should not be trying to control AT&T's network and engineering practices, but
5 rather should concentrate on managing the interconnection trunks it controls
6 according to its own practices.

7 **Q VERIZON ASSERTS ON PAGE 36 THAT IF AT&T'S TRAFFIC**
8 **CONTINUES TO BE ROUTED THROUGH VERIZON'S TANDEMS**
9 **WITHOUT LIMITATION, THOSE TANDEMS WILL BE "USED UP."**
10 **DO YOU AGREE WITH THIS STATEMENT?**

11 A. No, and Verizon has provided no evidence to support such a statement. The FCC
12 has specifically stated that in order for an incumbent to justify refusal to provide
13 interconnection, it must provide the state commission with clear and convincing
14 evidence that specific and significant adverse impacts would result from the
15 requested interconnection or access.¹⁵ Verizon has provided no such evidence.

16 All Verizon has indicated is that it has a few tandems in Virginia that face
17 exhaust in 2001. That information in and of itself is not adequate to meet the
18 specific and significant adverse impact standard. Verizon has provided no
19 information that this exhaust situation is the result of CLEC local traffic in
20 general or AT&T local traffic in particular. AT&T's traffic, by Verizon's own
21 admission, is not the only traffic that traverses its tandem. In fact, Verizon has
22 admitted that its exchange access tariff does not contain any traffic threshold

¹⁵ *Local Competition Order*, at ¶ 203.

1 requirements at all. It is clear from this information that Verizon is discriminating
2 against CLEC traffic in this proposal.

3 As we stated in our Direct Testimony on page 59, if the Commission is
4 concerned that ILECs are experiencing an amount of tandem exhaust that could
5 negatively affect the development of an efficient network, the Commission should
6 examine the issue in a generic rulemaking proceeding where it can solicit a broad
7 range of industry input and examine the issue in a comprehensive manner that
8 will be applicable to all industry sectors.

9

1 Issue III.3 **Meet Point Interconnection** Should the selection of a fiber meet point
2 method of interconnection (jointly engineered and operated as a SONET ring) be at
3 AT&T's discretion or be subject to the mutual agreement of the parties?

4 **Q. DO YOU DISAGREE WITH VERIZON'S TESTIMONY RELATING TO**
5 **MID-SPAN FIBER MEET INTERCONNECTION?**

6 A. Yes. Verizon's statement on page 24 that mid-span fiber meet arrangements must
7 occur only pursuant to mutual agreement ignores the rights of CLECs to select
8 their method for interconnection. As we stated in our Direct Testimony on page
9 72, Verizon should not be relieved of its legal obligation to allow a CLEC to
10 choose the method of interconnection simply because joint provisioning is
11 involved. The law contains no such exemption and there is no technical reason to
12 require mutual agreement for this method of interconnection.

13 **Q. WHAT IS WRONG WITH VERIZON'S ASSERTIONS ON PAGE 26**
14 **THAT A MID-SPAN FIBER MEET REQUIRES IT TO PROVIDE A**
15 **SUPERIOR NETWORK IF IT IS REQUIRED TO CONSTRUCT SOME**
16 **FIBER TO ACCOMMODATE THE INTERCONNECTION?**

17 A. Verizon's position is at odds with the FCC's orders. While mid-span fiber meet
18 interconnection may require the ILEC to build out its facilities, such a build out,
19 as long as it is reasonable, has been acknowledged by the FCC to be appropriate
20 and consistent with the ILEC obligations to interconnect. At ¶ 523 of the *Local*
21 *Competition Order*, the FCC stated that the ILEC's build out of facilities to the
22 meet point location constitutes an accommodation of interconnection. Therefore,
23 it is not correct to say that any construction associated with a build out of the
24 ILEC's facilities amounts to a requirement to build a "superior" network under
25 which the ordering CLEC must pay all the costs.

1 **Q. DO YOU HAVE ANY COMMENTS ON VERIZON’S MID-SPAN**
2 **DIAGRAM ON PAGE 25?**

3 A. Yes. We are not sure what point, if any, Verizon was trying to make with the
4 diagram, but we would like to clarify that Verizon’s designation of the POI
5 location is inaccurate. The diagram shows the POI as a location in between the
6 ILEC and CLEC wire centers. That location is actually the fiber splice point, or
7 the meet point location – not the POI. The POI would be located at the CLEC’s
8 or LEC’s serving wire center where the facility system terminates. This is
9 consistent with the FCC’s description (at ¶ 553 of the *Local Competition Order*)
10 which states that in a meet point arrangement, the point of interconnection for
11 purposes of §§251(c)(2) and (c)(3) *remains* on the local exchange carrier’s
12 network.

13

1 Issue VII-6 ***Limitations on AT&T's POI*** Should Verizon be forced to offer
2 interconnection facilities and hubbing at central offices other than those intermediate hub
3 locations identified in the NECA 4 tariff?

4 **Q. IS IT TECHNICALLY FEASIBLE TO HUB FACILITIES (IMPLEMENT**
5 **DS-3 TO DS-1 CONNECTIONS) AT LOCATIONS WHERE VERIZON**
6 **HAS NOT YET DEPLOYED 3X1 DIGITAL CROSS-CONNECT SYSTEMS**
7 **(DCS)?**

8 A. Yes. Hubbing may be accomplished at any location where Verizon has deployed
9 either a 3X1 DCS or 3x1 multiplexers. Verizon certainly has one or both of these
10 types of hubbing devices available at each Verizon serving wire center in
11 Virginia.

12 **Q. WHAT DOES A 3X1 DCS REPLACE?**

13 A. A 3X1 DCS combines the functions of a 3X1 multiplexer and a DS-1 DCS or
14 manual cross connect device into a single system. A 3X1 DCS should provide a
15 lower unit cost where 50 or more DS-3s are to be cross-connected. Because of
16 these cost efficiencies, AT&T has 3X1 DCSs deployed in all of its local network
17 switch centers.

18 **Q. IS VERIZON'S CHARACTERIZATION OF A 3X1 DCS AS, "A LARGE**
19 **EXPENSIVE PIECE OF SPECIALTY TRANSPORT EQUIPMENT",**
20 **ACCURATE?**

21 A. Not really. A single 3X1 DCS may take up 2 or 3 equipment bays depending
22 upon the size of the 3X1 DCS (*i.e.*, how many DS-3 ports the DCS has).
23 However, a 3X1 DCS requires significantly less space, electric power and
24 manpower to operate than the equivalent number of 3X1 multiplexers and DS-1
25 cross connect devices which it replaces. In fact, 3X1 DCS themselves are

1 now becoming outdated. They are being replaced by optical DCS systems, which
2 interface at either OC3 or OC48 rates and offer even greater efficiencies.

3 From Verizon's testimony, it appears that Verizon has chosen *not* to
4 upgrade many of its serving wire centers with more recent DCS technology. That
5 choice is certainly Verizon's choice to make. However, Verizon cannot then use
6 that choice to constrain AT&T's interconnection options. The fact that Verizon
7 may not have a 3X1 DCS in place in a particular location is not really relevant to
8 AT&T's ability to interconnect at that location since the identical functionality
9 can be obtained by using a 3X1 multiplexer and a DS-1 cross connect device
10 which Verizon would have in place at all locations where it does not have a 3X1
11 DCS.

12 **Q. SHOULD AT&T BE FINANCIALLY RESPONSIBLE FOR VERIZON'S**
13 **COSTS IN ADAPTING ITS FACILITIES IF AT&T REQUESTS**
14 **HUBBING AT LOCATIONS NOT IDENTIFIED IN VERIZON'S NECA 4**
15 **TARIFF, AS VERIZON ASSERTS ON PAGE 34 OF ITS TESTIMONY?**

16 A. No. Verizon uses facility hubbing functionality in each of its offices for its own
17 purposes. Just because Verizon chooses to hub the old fashioned way in certain
18 offices, such choice should not have any effect on the price that AT&T pays for
19 hubbing functionality. As we stated above, Verizon can accommodate DS-3
20 interconnection by using either a 3X1 DCS or a 3X1 multiplexers and a DS-1
21 cross connect device. Therefore, Verizon should be required to provide DS-1 to
22 DS-3 multiplexing (hubbing) at standard UNE rates regardless of how Verizon
23 chooses to provide that functionality.

1 **Q. VERIZON CLAIMS ON PAGE 34 THAT IF INTERCONNECTION AND**
2 **HUBBING TAKES PLACE AT A CENTRAL OFFICE OTHER THAN**
3 **ONE LISTED IN THE NECA TARIFF, AT&T SHOULD BE**
4 **RESPONSIBLE FOR VERIZON’S COSTS BECAUSE SUCH**
5 **INTERCONNECTION REQUIRES A “NOVEL USE OF, AND**
6 **MODIFICATION TO, ITS NETWORK FACILITIES TO**
7 **ACCOMMODATE THE INTERCONNECTOR...” IS VERIZON**
8 **CORRECT?**

9 **A.** No. As we explained above, interconnection and hubbing can be accomplished
10 with or without a 3X1 DCS piece of equipment in place. Verizon, however, is
11 suggesting that the only way to accommodate interconnection at locations other
12 than those identified in the NECA tariff is to add the 3X1 DCS equipment to
13 those locations at the CLEC’s expense. That is one way to have its network
14 upgraded – but it is not necessary or appropriate. AT&T can still interconnect at
15 those locations without the need for a network or equipment upgrade. So if
16 Verizon chooses to upgrade its equipment at those locations, it will have to do so
17 at its own expense.

1 Issue V.2 ***Interconnection Transport*** What is the appropriate rate for Verizon to charge
2 AT&T for transport purchased by AT&T for purposes of interconnection – the UNE
3 transport rate or the carrier access rate?

4 **Q. VERIZON’S WITNESSES AT PAGE 30 SET FORTH FOUR OPTIONS**
5 **THAT AT&T HAS FOR DELIVERING TRAFFIC TO VERIZON’S**
6 **SWITCH LOCATION. ARE THESE OPTIONS ACCURATE AND**
7 **COMPLETE?**

8 A. No. Verizon’ description of the four options are inaccurate and incomplete.
9 Verizon indicates that AT&T can collocate and purchase (1) UNE interoffice
10 facilities to connect to its collocation space; (2) purchase transport out of
11 Verizon’s access tariff; (3) purchase transport from a third party; or (4) self
12 provision transport. We have no problem with the last two options, as described.
13 However, Verizon leaves out the mid-span option and the option of purchasing
14 transport at UNE rates, which is the heart of this dispute.

15 **Q. ON PAGE 30 OF ITS TESTIMONY, VERIZON STATES THAT AT&T**
16 **CANNOT ORDER TRANSPORT AND PAY THE UNE TRANSPORT**
17 **RATE BECAUSE AT&T IS NOT UTILIZING ITS ESTABLISHED**
18 **COLLOCATION ARRANGEMENT. CAN YOU COMMENT ON THIS**
19 **ASSERTION?**

20 A. Yes. Verizon’s argument that CLECs can only purchase UNE transport via
21 collocation is inconsistent with the FCC’s definition of unbundled dedicated
22 interoffice facilities, which encompasses all facilities that can be used to “provide
23 telecommunications between wire centers owned by incumbent LECs or
24 requesting telecommunications carriers, or between switches owned by incumbent
25 LECs or requesting telecommunications carriers.”¹⁶

¹⁶ 47 C.F.R. 51.319(d)(1)(A).

1 Verizon's argument also ignores the rulings of the United States Supreme Court
2 and the United States Court of Appeals for the Eighth Circuit. The Eighth Circuit
3 stated that: "a requesting carrier is not required to own or control some portion of
4 a telecommunications network before being able to purchase unbundled
5 elements."¹⁷

6 Verizon's refusal to provide UNE transport without a collocation
7 arrangement is also inconsistent with the FCC's stated policy to establish a broad
8 comprehensive framework for access to UNE transport facilities at TELRIC rates.
9 One of the stated policy goals of the *Local Competition Order* is to further rapid
10 competition deployment by reducing litigation costs and delays that would
11 inevitably result if incumbent LECs had the flexibility to quibble over which
12 trunking facilities qualified as UNEs and which did not. This policy concern was
13 also articulated in the *UNE Remand Order* where the Commission decided to
14 require ubiquitous UNE transport availability instead of accepting the incumbent
15 LEC's plan of linking UNE transport availability to specific services area on a
16 case-by-case basis. The Commission indicated that one of the benefits of a rule of
17 universal UNE transport availability is that competitors would not face increased
18 litigation costs due to narrow debates over particular service areas.¹⁸

¹⁷ *Iowa Utilities Board v. Federal Communications Commission*, 120 F2d 753, 814 (8th Cir. July 18, 1997, as amended on rehearing on October 14, 1997) (1997). *See also, AT&T Corp. et al Iowa Utilities Board et al*, 119 S.Ct 721, (1999) [pp. 27-28 of slip op.].

¹⁸ Implementation of the Local Competition Provisions of the Telecommunications Act of 1996, *Third Report and Order and Fourth Further Notice of Proposed Rulemaking*, at ¶ 366 (Rel. Nov. 5, 1999) ("*UNE Remand Order*").

1 **Q. ON PAGE 31 VERIZON ARGUES THAT THE ACCESS RATE IS THE**
2 **APPROPRIATE CHARGE FOR TRANSPORT FACILITIES LEASED BY**
3 **IT TO AT&T BECAUSE VERIZON IS PROVIDING AN “END TO END**
4 **SERVICE.” DO YOU AGREE?**

5 A. No. Although access service provides the same functionality as UNE transport,
6 the FCC has rejected the proposition, originally advanced by ILECs, that the
7 ILEC may force CLECs to use access service – developed for IXC to deliver
8 long distance traffic – as a substitute for UNEs in the delivery of local traffic.

9 In both the *Local Competition Order* and *UNE Remand Order* the FCC
10 found that incumbents are prohibited from substituting access services in order to
11 avoid their unbundling obligations.¹⁹ In the *UNE Remand Order*, in response to
12 GTE and US West’s arguments that competitive LECS have access to ubiquitous
13 transport through the use of incumbent’s special access tariff arrangement, the
14 FCC stated:

15 If we were to adopt the incumbents’ approach, the
16 incumbents could effectively avoid all of the 1996 Act’s
17 unbundling and pricing requirements by offering tariffed
18 services that, according to the incumbent’s, would quality
19 as alternatives to unbundled network elements. This would
20 effectively eliminate the unbundled network element option
21 for requesting carriers, which would be inconsistent with
22 Congress’ intent to make available to requesting carriers
23 three different competitive strategies, including access to
24 unbundled network elements.”

25 *UNE Remand Order* at ¶354.

¹⁹ *UNE Remand Order* at ¶354; *Local Competition Order* at ¶387.

1 **Q. VERIZON’S WITNESSES STATE ON PAGE 31 THAT IF AT&T’S**
2 **POSITION WERE ADOPTED, IT WOULD AMOUNT TO A NEW UNE**
3 **COMBINATION. DO YOU AGREE?**

4 A. No. Verizon’s witnesses say the new UNE combination would consist of a mid-
5 span meet, UNE IOF, a switch port and a loop. First of all, AT&T was not
6 specifically addressing a mid-span interconnection. AT&T would purchase
7 transport from Verizon when it has a fiber terminal in an AT&T building – the
8 transport would go from that terminal to Verizon’s wire center or switch location.
9 There is no mid-span involved in this arrangement. There is no loop involved
10 either. There is also no switch port involved since a switch port is not part of
11 transport – it is associated with trunks not facilities. AT&T is looking to purchase
12 transport from Verizon – plain and simple. There is no new UNE combination
13 involved.

14

1 Sub-Issue III.4.B. **Trunk Disconnection** Should Verizon have the unilateral ability to
2 terminate trunk groups to AT&T if Verizon determines that the trunks groups are
3 underutilized?

4 **Q. ON PAGE 22, VERIZON ARGUES THAT IT SHOULD BE PERMITTED**
5 **TO DISCONNECT TRUNKS IN AN UNDERUTILIZED TRUNK GROUP.**
6 **HOW DO YOU RESPOND?**

7 A. Verizon has missed AT&T's objection entirely. AT&T is not disputing that
8 trunks should be discontinued when it is determined that a trunk group is
9 underutilized. In fact, Verizon provides a number of reasons why it makes good
10 sense to do so. What AT&T objects to is Verizon's proposed contract language
11 that provides Verizon with the unilateral right to discontinue trunks without
12 AT&T's confirmation.

13 **Q. WHAT IS AT&T ASKING THE COMMISSION TO DO?**

14 A. AT&T is simply asking the Commission to require Verizon to send AT&T an
15 Access Service Request (ASR) identifying the trunk disconnect and to await
16 AT&T's Firm Order Confirmation (FOC) before proceeding with the
17 disconnection.

18 **Q. VERIZON ASSERTS THAT IT IS PAYING FOR THESE TRUNKS AND**
19 **SHOULD HAVE THE UNILATERAL RIGHT TO DISCONTINUE THEM.**
20 **IS THAT TRUE?**

21 A. It is interesting that Verizon makes this argument since in Issue I.1 it argues that
22 AT&T should be financially responsible for the trunks that carry Verizon's traffic.
23 If AT&T becomes financially responsible for such trunks as Verizon argues, then
24 Verizon should also have no control over those trunks, because it would make no
25 material difference to Verizon whether the trunks were connected or not.

1 Nevertheless, even if the Commission orders that Verizon is financially
2 responsible for such trunks, that obligation should not allow Verizon to ignore the
3 accepted industry standard procedures for establishing, modifying or
4 discontinuing trunk groups. As we describe beginning on page 83 of our Direct
5 Testimony, interconnection trunks, by their nature, are mutual instruments and
6 neither party should be permitted to unilaterally modify or discontinue them. This
7 type of unilateral action is contrary to industry standards and could negatively
8 affect AT&T's ability to serve its customers.

9

1 Issue V.I **Competitive Tandem Service** Should Verizon be permitted to place
2 restrictions on UNEs so as to preclude AT&T from providing competitive tandem
3 services?

4 **Q. AT PAGES 42-43 VERIZON POINTS TO THE ISP REMAND ORDER AS**
5 **SUPPORT FOR ITS POSITION THAT THE COMMISSION SHOULD**
6 **NOT ADDRESS AT&T'S COMPETITIVE TANDEM ACCESS**
7 **PROPOSAL IN THIS PROCEEDING. IS VERIZON'S CITATION**
8 **RELEVANT TO THE ISSUE?**

9 A. No. Verizon maintains that this issue should not be addressed in this proceeding
10 because the interconnection agreement should only address the interconnection
11 and exchange of local traffic. In support of its position Verizon states "[i]n the
12 recent *ISP Remand Order*, this Commission reaffirmed the principle that
13 interexchange access traffic is 'carved out' and not a part of the "universe of
14 traffic" that is subject to § 251(b)(5)." Verizon's argument is off the mark for two
15 reasons. First, § 251(b)(5) addresses reciprocal compensation, not UNEs, which
16 are the subject of this issue. Second, AT&T's proposal does not encompass any
17 of the terms related to *its* access traffic, it addresses terms relating to the provision
18 of exchange access service, through the use of UNEs, an entirely different issue.
19 As stated in AT&T's Petition and our Direct Testimony, AT&T has the right,
20 pursuant to § 251(c)(2), to obtain interconnection to provide local exchange and
21 exchange access service. The FCC has specifically confirmed that "providers of
22 competitive access service are eligible to receive interconnection pursuant to
23 §251(c)(2). Since the service involved in this issue is the provision by AT&T of
24 exchange access service, it clearly falls within the issues to be included in an
25 interconnection agreement.

1 **Q. IS VERIZON CORRECT THAT AT&T IS ONLY INTERESTED IN**
2 **PROVIDING COMPETITIVE TANDEM SERVICE FOR TERMINATING**
3 **TRAFFIC?**

4 A. No. Contrary to Verizon's statement at page 44, AT&T is interested in providing
5 both originating and terminating competitive tandem services.

6 **Q. ARE THERE ANY TECHNICAL PROBLEMS ASSOCIATED WITH**
7 **AT&T'S PROPOSAL?**

8 A. No. The technical problem Verizon identifies at pages 43-44 of its testimony is a
9 loss of billing detail when the call is routed through two tandems.²⁰ This is not a
10 problem as there will not be two tandems involved with originating calls. The
11 calls will go directly from Verizon's end office switch to AT&T's tandem switch
12 and from there to the subscribing IXC switch.

13 **Q. ON PAGES 44-45 VERIZON DISCUSSES ITS CONCERNS WITH**
14 **AT&T'S MEET POINT BILLING ARRANGEMENT AND REVENUE**
15 **SHARING PROPOSALS. HAS AT&T MODIFIED ITS STANCE ON**
16 **THESE ISSUES IN WAYS THAT MAKE VERIZON'S CRITICISMS**
17 **IRRELEVANT?**

18 A. Yes. As we explained in our Direct Testimony at pages 115-117, in an attempt to
19 resolve this issue, AT&T has modified its position in several ways. In general,
20 the modifications all reflect AT&T's agreement not to treat its provision of
21 competitive tandem service in the same manner as meet point traffic.
22 Specifically, AT&T's new position is that Verizon may bill AT&T for the
23 function(s) it provides. This should address Verizon's concern that AT&T "seeks
24 to 'share' Verizon VA's access revenues without relieving Verizon VA of any of

²⁰ When a Verizon end user originates a call that is routed via Verizon's tandem, the Carrier Identification Codes ("CIC") that AT&T would need to terminate and bill the call are stripped off by Verizon's tandem and are not passed to AT&T's tandem.

1 the functions and services it provides and for which it is compensated.” With
2 AT&T’s new proposal, Verizon will be fully compensated for the functions it
3 provides that are associated with AT&T’s competitive tandem service.

4

1

INTERCARRIER COMPENSATION ISSUES

2

Issue I.6 *Virtual FX Traffic* Is the jurisdiction of a call determined by the NPA-NXXs of the calling and called numbers?

3

4

Q. WHAT IS WRONG WITH VERIZON'S PROPOSED SOLUTION TO THE VIRTUAL FX ISSUE SET FORTH ON PAGE 7 OF ITS INTERCARRIER COMPENSATION TESTIMONY?

5

6

7

A. Verizon suggests that the answer to the Virtual FX issue is for the customer to

8

buy Verizon's dedicated FX Service from its tariff. Verizon says this "solution"

9

"...would allow the Roanoke CLEC customer to order a direct facility [from the

10

customer's physical location] to the Staunton end office, thereby creating, in

11

essence, an extended local loop." Note, that Verizon's "solution" converts the

12

customer from a CLEC customer to a Verizon customer. In other words, Verizon

13

does not have a problem with FX-type service, as long as it is Verizon that

14

provides the functionality and gets the revenue.

15

Q. BUT IF VERIZON PROVIDES THE FX SERVICE, WOULD VERIZON RATE CALLS TO THE FX SUBSCRIBER IN THE MANNER VERIZON IS PROPOSING FOR CLECs?

16

17

18

A. No. Today, when Verizon provides the service, such calls are rated as local or toll

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calls based on the NPA-NXX of the originating telephone number and the NPA-

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NXX of the dialed telephone number, just as they are when the CLECs provide

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the FX arrangement. This is true whether the calls are from customers served by

22

Verizon, the CLEC or an independent telephone company. This convention has

23

always been used by the industry for billing purposes and is embedded in the call

24

recording, rating and billing software.

1 Verizon, other ILECs and independent telephone companies have been
2 offering foreign exchange services and foreign exchange type services for
3 decades. The establishment of a telephone number that appears to be local to the
4 calling parties but where the called party is outside of the local calling area that is
5 normally associated with the dialed number is a long standing practice. As we
6 pointed out in our Direct Testimony, Verizon Virginia's Local Exchange Services
7 Tariff states unambiguously, "[t]he long distance and local message charges and
8 the extent of local service applicable, are the same as apply to other Local
9 Exchange Services provided from the same foreign exchange."²¹ Thus, when a
10 Verizon customer dials a number assigned to that customer's own legacy rate
11 center and Verizon routes the call to a Verizon FX customer who happens to be
12 located in a different legacy Verizon rate center than the calling party, Verizon
13 treats the call as a local call, not a toll call. That is, the Verizon end user that
14 originated the call pays Verizon local charges for that call.

15 **Q. THEN WHAT IS THE ISSUE?**

16 A. As noted in our Direct Testimony, CLECs have deployed a network architecture
17 that allows the CLECs to provide FX-like services from a single wire center and
18 switch. This is a more efficient architecture than Verizon's network architecture
19 that requires the use of a private line service to connect the customer's legacy
20 native and foreign exchanges. This network model constitutes a competitive
21 threat that Verizon is attempting to eliminate through the imposition of regulatory

²¹ Verizon Virginia, Inc., Local Exchange Services Tariff, S. C. C. – Va. – No. 202, Original page 2, ¶ B(4)(a).

1 requirements that will prevent the CLECs from utilizing their more efficient
2 network architectures to offer FX-like calling. The regulatory expectation should
3 be for Verizon to meet this competitive challenge by improving its retail offering.
4 Instead, Verizon is seeking regulatory protection as a means of cutting its losses
5 and perpetuating the status quo.

6 **Q. IF VERIZON SUCCEEDS IN SECURING REGULATORY**
7 **PROTECTION, WILL IT HAVE TO CHANGE THE WAY IN WHICH IT**
8 **SERVES CUSTOMERS WHO SEEK A LOCAL “PRESENCE” IN AREAS**
9 **OTHER THAN WHERE THEY ARE ACTUALLY LOCATED?**

10 A. Unless regulators are willing to disassociate the manner in which the telephone
11 industry has historically rated wholesale and retail calls from the way calls are
12 determined to be subject to reciprocal compensation under § 251 (b)(5) of the Act,
13 then Verizon will have to change the way calls to its FX services are rated. That
14 is, if the Commission accepts Verizon’s assertion that *physical location* of the
15 caller and called party are the appropriate determinant of the jurisdiction of a call,
16 then such determination should be applied uniformly to the rating of all calls, not
17 just a subset favorable to Verizon. Such change would have a major impact on
18 the entire industry and would impact the call recording, rating and billing systems
19 used by Verizon, other ILECs, CLECs’ and Independent Companies. For
20 example, for FX service, calls within the local calling area of the foreign
21 exchange NPA-NXX telephone number will have to be treated as toll calls,
22 including the application of originating or terminating switched access charges, as
23 applicable. Calls between the foreign exchange NPA-NXX telephone number
24 and customers in the local calling area where the FX customer is physically
25 located will have to be treated as local calls, not toll calls, and will require special

1 processing by the carriers to avoid the application of originating or terminating
2 switched access charges that would otherwise be applicable to calls between such
3 NPA-NXXs.

4 All of this special handling would have to be done on a ten-digit basis, not
5 the traditional NPA-NXX six-digit basis. This change would be a costly endeavor
6 for the industry. Of course, the rating of other calls would also have to change to
7 be consistent with use of the *physical locations* of the caller and called party to
8 determine the jurisdiction of a call.

9 **Q. CAN YOU PROVIDE ANOTHER EXAMPLE OF THE RATING**
10 **CHANGES THAT WOULD BE REQUIRED?**

11 A. Yes, the billing for call forwarding-type (“CF”) services would need to change.
12 Today, a customer can have calls to his assigned telephone number in one
13 exchange forwarded to another number in a second exchange. With Verizon’s
14 Ultra Call Forwarding Service, the customer can forward the call to any number
15 in the United States and can change the forwarded-to telephone number from any
16 telephone number as often as the customer desires. The incumbent telephone
17 industry has treated such calls as actually two separate calls for billing purposes:
18 An initial local call to the CF subscriber’s “local” telephone and a second call
19 from that number to the forwarded-to number, which can be either local or toll.
20 Under Verizon’s proposal that “the *physical locations* of the caller and called
21 party must be used” to rate calls, the two calls described above would have to be
22 rated as one call and that would create problems for the industry and customers.

1 **Q. PLEASE EXPLAIN THE PROBLEMS THIS WOULD CREATE.**

2 A. If the initial call to the CF subscriber is a local call handled by Verizon, and the
3 call to the forward-to number is either local or toll, Verizon can set up the call to
4 the forward-to number and bill the CF subscriber for any applicable local or toll
5 charges, as is the practice today. But if the initial call to the subscriber's
6 telephone number is a local call handled by another LEC, or toll call handled by
7 another LEC or an IXC, and the second call is a toll call, then rating problems
8 develop.

9 Since the call has to be billed as an end-to-end call, there are two ways the
10 call could be handled. First, Verizon could pass the forwarded-to telephone
11 number to the carrier handling the initial local or toll call to the CF subscriber and
12 that carrier could then set-up the overall call between the calling party and the
13 forwarded-to number and could then bill the calling customer. Note that the
14 calling party will either be billed for a toll call when he thought he was making a
15 local call or will be billed for a toll call to a different city and telephone number
16 than what was dialed. Second, Verizon could hold the connection for the first
17 call, set-up the second toll call and tie the two calls together. Of course, Verizon
18 would also have to (1) arrange for the first carrier not to bill the calling customer
19 for the initial toll call; (2) compensate the first carrier for the costs it incurs for the
20 initial toll call (note that the first carrier's connection remains in place for the
21 duration of the overall call); and (3) bill the CF subscriber for the end-to-end rated
22 toll call. In either case, for CF services, it would be difficult to implement
23 Verizon's jurisdiction determination proposal for call forwarding services.

1 Moreover, such implementation would require changes in the industry's network
2 signaling, recording and billing arrangements.

3 **Q. HAS VERIZON OFFERED ANY RATIONALE THAT EXPLAINS WHY**
4 **THE JURISDICTION TEST THE INDUSTRY HAS HISTORICALLY**
5 **USED TO RATE CALLS FOR WHOLESALE AND RETAIL BILLING**
6 **PURPOSES IS INAPPROPRIATE TO USE FOR DETERMINING**
7 **ELIGIBILITY FOR RECIPROCAL COMPENSATION § 251(b) (5) OF**
8 **THE ACT?**

9 A. No, none at all. Verizon has simply asserted on page 5 of its InterCarrier
10 Compensation Testimony that "[t]he *physical locations* of the caller and the called
11 party must be used to determine whether a call is eligible for reciprocal
12 compensation under § 251 (b)(5) of the Act." It otherwise offers no foundation or
13 support for its assertion. Further, Verizon's assertion is inconsistent with the
14 manner in which Verizon rates calls to its FX customers today. As we explained
15 above, Verizon rates its FX calls as local or toll based on the caller's NPA-NXX
16 and the FX customer's selected (foreign) rate center NPA-NXX, not on the
17 physical location of the FX customer.

18 **Q. ON PAGE 9 OF ITS INTERCARRIER COMPENSATION TESTIMONY**
19 **VERIZON CLAIMS THE INDUSTRY SEEKS TO UTILIZE TELEPHONE**
20 **NUMBERING RESOURCES IN THE MOST EFFICIENT MANNER**
21 **POSSIBLE AND THAT CLEC'S VIRTUAL FX SERVICES "WILL**
22 **INEVITABLY LEAD TO MISUSE AND MISMANAGEMENT OF**
23 **VALUABLE NUMBERING RESOURCES." PLEASE COMMENT.**

24 A. AT&T is sensitive to utilizing telephone-numbering resources in the most
25 efficient manner and has supported conservation approaches. AT&T has
26 supported and continues to support number conservation efforts such as rate
27 center consolidations that are a very effective way to conserve telephone numbers.
28 As Verizon knows, the demand for telephone numbers has been principally driven

1 by (1) customers' use of new technologies, *e.g.*, pagers, cellular telephones,
2 computers, etc.; (2) customers' demands for non-primary lines (second lines) or
3 alternative services such as Verizon's Distinctive Ring²²; and (3) local service
4 competition. CLEC's use of telephone numbers to provide Virtual FX services
5 that meet a marketplace demand is just as legitimate a use of numbers as the
6 assignment of telephone numbers to support any other service or technology, *e.g.*,
7 Verizon's Distinctive Ring Service. Finally, to meet Verizon's requirement that a
8 customer's NPA-NXX have geographical relevance to the customer's physical
9 location, the CLECs would have to have NPA-NXX telephone numbers in every
10 rate center in which they have a customer. This is true even when the CLEC's
11 customer would be satisfied with a number assigned from the NPA-NXXs
12 currently available to the CLEC. Thus, to meet Verizon's requirement, the CLEC
13 would have to request a block of numbers in the customer's geographical area and
14 assign one such number to the customer. This result certainly utilizes more
15 numbering resources than is necessary.

16 **Q. VERIZON CITES SEVERAL STATE COMMISSION FINDINGS IN**
17 **SUPPORT OF ITS POSITION AND CLAIMS THAT NO STATE HAS**
18 **AGREED WITH THE CLECS' POSITION ON FX-LIKE SERVICES. IS**
19 **THIS CORRECT?**

20 A. No. First, some of the decisions cited by Verizon at pages 9-12 of its testimony
21 were issued prior to the FCC's finding in the *ISP Remand Order* that ISP traffic is
22 subject to its jurisdiction and the FCC's establishment of rules governing

²² Verizon Virginia, Inc., General Services Tariff, S. S. C. -Va. -No. 203, Section 21, Original Page 3a, Effective October 20, 2000. Distinctive Ring is a feature that allows a

1 Intercarrier compensation for such traffic. This is significant because a primary
2 focus on many of these decisions was how ISP traffic should be treated for
3 reciprocal compensation purposes. The Maine Commission's orders in the
4 dockets cited by Verizon were issued June 30, 2000, and November 14, 2000.
5 The Connecticut DPU Draft decision in Docket No. 01-01-29 issued on March 19,
6 2001, was subsequently reissued on March 29, 2001, for procedural reasons *and*
7 *has never been finalized*. After the FCC came out with the *ISP Remand Order*,
8 the Connecticut DPU issued a Notice reopening the evidentiary record in light of
9 the FCC's *ISP Remand Order* and that proceeding is now underway. Further, the
10 Commission's Order in Texas PUC Docket No. 21982 dated July 13, 2000, that
11 Verizon points to for support for its position, is being reexamined by the Texas
12 PUC in Docket No. 24015.

13 AT&T is unaware of any state commission decision on the treatment of
14 FX-like traffic that has addressed the new rules resulting from the FCC's *Order*
15 *on Remand*. Thus, the decisions relied upon by Verizon from state commissions
16 are of limited value.

17 Nevertheless, some state commissions have determined under the FCC's
18 old rules that FX-like traffic should be treated as local traffic and the rationale for
19 those state commission decisions has been pretty much the same and is still
20 applicable today: the rating of a call has historically been based on the NPA-
21 NXX and not the routing of the call, *i.e.*, whether a call in fact crosses exchange

customer to have up to three (3) separate telephone numbers assigned to one local

1 boundaries; and there is no cost basis for treating FX-like traffic differently from
2 other traffic. The Michigan Public Service Commission in the past few years has
3 repeatedly found that FX calls should be treated as local for reciprocal
4 compensation purposes, stating:

5 The Commission rejects the proposal [by Ameritech] to
6 *reclassify* FX calls as non-local for reciprocal
7 compensation purposes. Ameritech Michigan has not
8 explained whether, or how, the means of routing a call
9 placed by one LEC's customers to another LEC's point of
10 interconnection affects the costs that the second LEC
11 necessarily incurs to terminate the call. As a matter of
12 historical convention, the routing of that call, i.e., whether
13 or not it crosses exchange boundaries, has not been equated
14 with its rating, i.e., whether local or toll. *Moreover, the*
15 *discretion that CLECs exercise in designing their local*
16 *calling scopes is a competitive innovation that enables*
17 *them to provide valuable alternatives to an ILEC's*
18 *traditional service.* The Commission finds no reason to
19 change these standards, particularly if the end result would
20 be an unnecessary restriction on the services that customers
21 want and need.²³

22 In the MCImetro Arbitration proceeding, the North Carolina Commission stated:

23 The Commission concludes that calls within a LATA
24 originated by BellSouth customers to MCI's FX customers
25 are to be considered local and, therefore, subject to
26 reciprocal compensation.²⁴

exchange line.

²³ Opinion and Order, *In the Matter of the Application of Ameritech Michigan to revise its reciprocal compensation rates and rate structure and to exempt foreign exchange service from payment of reciprocal compensation*, Michigan Public Service Commission, Case No. U-12969, at pages 10-11 (January 23, 2001). (*emphasis added*).

²⁴ Recommended Arbitration Order, *In the Matter of Petition of MCImetro Access Transmission Services, LLC for Arbitration of Certain Terms and Conditions of Proposed Agreement with BellSouth Telecommunications, Inc. Concerning*

1 **Q. HOW SHOULD THE COMMISSION RESOLVE THIS ISSUE?**

2 A. The current, long standing industry convention of using the originating NPA-
3 NXX and the terminating NPA-NXX to rate a call for billing purposes has served
4 the industry well over many decades and Verizon has offered no compelling
5 reason to change it now. As we explained in our Direct Testimony, AT&T's
6 position is fully consistent with the way calls are rated and billed today in
7 Virginia and with the Calling Party's Network Pays Regime ("CPNP") also in
8 place in Virginia. However, Verizon's position that CLECs should compensate
9 Verizon in the form of access charges for AT&T's FX-like traffic when, in fact,
10 Verizon is collecting the revenue for these calls turns the CPNP regime on its
11 head. There is simply no basis for this Commission to order that AT&T's FX-like
12 traffic should be an exception to how calls are rated or to the current CPNP
13 regime.

14